Study of Role of Regional Rural Banks in the Agriculture Development (With Special Reference to Sawaimadhopur District)

Balmukand meena

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Introduction

Profile of Regional Rural Banks

The Regional Rural Banks are Government owned regional based and rural oriented financial institutions specialized to cater to the credit needs of the neglected and weaker sections of the society such as small and marginal farmers, agricultural laborers, and rural artisans, and to fill up the regional and functional gap in neglected areas in regard to institutional credit. Because of low cost of operation, operation in remote areas and being able to get the credit flow to the doors of the specific borrowers. 71 RRBs are better tailored to meet the Credit needs of the rural poor's. The RRBs are in fact, small man's banks.

With a view to developed the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities m the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural laborers, artisans and small entrepreneurs and for matter connected therewith and incidental thereto.

The Regional Rural Ranks have the following objectives as envisaged in the Act.
1. To develop rural economy.

2. To provide credit for agriculture and allied activities.

3. To help the poor financially to meet their consumption needs.

4. To reduce dependence of rural people on moneylenders.

5. To fill the gap created by moratorium on borrowings from moneylenders.

6. To encourage village industries like those of artisans, black-smiths, carpenters, etc.

7. To reach die far flung areas particularly backward and tribal areas to make these areas economically better.

Generally the Regional Rural Bank has a compact area of operation in one or two districts with homogeneity in agro-climate conditions and rural clientele. Its branches generally cover one to three blocks. Each regional bank operates within the local limits. While allotting an area for operation of Regional Rural Bank, the following aspects are looked into:

(i) Unbanked areas are allotted to the Regional Rural Banks.

(ii) The areas where commercial banks or co-operative banks have not been able to reach due to certain reasons are given preference for being allotted to the Regional Rural Banks.

(iii) Preference will be given to Backward or Tribal area.

(iv) Potential for growth of that area is also an important criterion for selecting a region

Sponsorship: each Regional Rural Bank is sponsored by a Scheduled Commercial Bank, usually a Public Sector Commercial Bank. The steering committee on Regional Rural Banks identified the districts requiring Regional Rural Banks, and later, the (government of India in consultation with State Governments and the sponsoring banks proceeded to set-up Regional Rural Banks. The Regional Rural Banks are visualized as the rural arm of the Commercial Banks. As such a special responsibility lies on the sponsoring bank. The sponsoring bank, by virtue of the provisions of the act provides managerial assistance to the Regional Rural Banks sponsored by it for the first five year period, besides financial accommodations on mutually agreed terms. A few non-public sector commercial banks have also

sponsored Regional Rural Banks. Following a view taken by Reserve Bank of India, in consultation with the Got, of India, Scheduled State r Co-operative Banks are also allowed to sponsor Regional Rural Banks.

Capital Structure: The authorized capital of a Regional Rural Bank has been fixed in the Regional Rural Banks Act at Rs. one crore (Now Rs. 5 crore) and it is divided into one lakh shares of Rs. 100 each. The Central Government may, however increase or reduce it. in consultation with the Reserve Bank of India and the sponsoring bank, subject to a minimum of Rs. 25 lakhs. 2 The issued capital of each Regional Rural Bank is based on its own business. The issued Capital, 50 percent is subscribed by the Central Government 15 percent by the concerned State Government and the balance 35 percent by the sponsoring bank. There is a provision for increasing the issued capital by the Board of Directors of the Regional Rural Bank concerned, after consultation with and the prior approval of Central Government. The shares of the Regional Rural Banks are treated as trustee securities and approved securities.

Management Pattern : The general superintendence, direction and management of the affairs and business of a regional rural bank is vested in a Board of Directors headed by Chairman who is usually an officer of the sponsoring bank but appointed by the Government of India. In addition, the Central Government nominates three directors (of whom one is from NABAR.D) the concerned State Government has two directors and sponsoring bank nominates three directors. The chairman is appointed by the Central Government for a period of five years. The chairman is required to devote his whole time to the affairs of the regional rural bank and subject to the superintendence, control and direction of the Board of Directors. He looks after the whole management of the bank.

Sources of Funds: Main function of bank is to accept deposits from customers and fulfillment of demands by cash, cheque and account. There are many other funds also with the bank for the purpose of lending and investment. V

Rural development is a process of developing and utilizing natural and human resources, technologies, infra-structural facilities, institutions and organizations, government policies and programmes to encourage and speed up economic growth in rural areas, to provide jobs and to improve the quality of rural life towards self substance. In addition to economic growth, this process typically involves changes in popular attitudes and in many cases even in customs and beliefs In a nutshell the process of rural development must represent the entire gamut of change by which a social system moves away from a state of life perceived as satisfactory towards a materially and spiritually better condition of life. “kartar singh”

Rural development

Rural development is a process, which pushes the rural society, even with the partial success of a set of programmes. The implications of rural development programmes largely reflect in the socio-economic status of the society bridging the gap between the requirements for economic growth and the delivery system. It has been observed that the implementation process itself suggests functional modifications in reference to the local conditions suitable for obtaining the optimum efficiency The rural development, therefore, is a continuous process in conception and ever stands as an interminable process of development.

The Famine Commission (1880) had first recommended the policy of positive intervention for rural people in occurrence of scarcity or famine. It made recommendation for land reforms, infrastructure, agricultural promotion and communication in the rural areas. The colonial administration rural development

has been a humanitarian act though it was not backed by any legal sanction. The spirit of rural development is being carried yet in a new reference of poverty alleviation

In the post-independence period, the number of rural development programmes (RDPs) has been identified as the basic tools for alleviating rural poverty. The evaluation of these programmes shows that 68.6 per cent households below poverty line have been benefited under various RDPs and helped them to cross the poverty line the planning of RDPs was shifted in subsequent five years plans based on the social and sectored priorities. The broad objectives followed in these programmes for accelerating the rural development have been:

(i) Increasing productivity in agriculture and allied sectors.

(ii) Decentralized programme implementation system.

(iii) Extensive mobilization of local resources.

(iv) Increasing per capital income of vulnerable sections of rural population by providing effective occupation through RDPs covering the primary, secondary and tertiary sectors,

(v) To provide skill up gradation and technology extension,

(vi) To develop adequate backward and forward linkages, and

(vii) To generate gainful employment in secondary and tertiary sectors during the lean agricultural seasons.

Skill Development: The Training of the Rural Youth for Self-Employment (TRYSEM) is the core programme for skill development in rural industries, services and business sector which dates back to 1979. The training is provided to

rural entrepreneurs within the age group of 18-35 by the training institutes like ITls, Polytechnics, Krishi Vigyan Kendras. KVIBs. State Institutes of Rural Development, etc for the development of vocational skills It is found that during the First three years of Ninth Five Year Plan 5.2 lakhs youths were trained under this programme.7 However, the basic problem observed therein is the lack of integration among different programmes of SGSY for providing assured income generation by providing financial assistance for setting up units for beneficiaries.

Employment Generation: Among various employment oriented programmes, a new concept emerged in 1988 by merging the two programmes of similar nature, namely. National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) with a view to generate additional gainful employment for unemployed and under employed rural population of either sex. The new programme has been named as Jawahar Rozgar Yojana (JRY). This is a centrally sponsored scheme and the expenditure is shared by the central and respective state governments in the ratio of 80: 20 of these. 6 per cent of the total resources are earmarked for housing under Indira Awas Yojana (1AY) while 20 per cent of the total resources are allocated for the Million Wells Scheme (MWS). The Village Panchayats are empowered to implement this programme for achieving better result at the grass root level. The programme ensures minimum 60 per cent of total resources to be spent as wage component. A maximum of 10 per cent of the annual allocations is used for maintenance of the assets generated under JRY.

Infrastructure Development: Besides the direct beneficiary and area oriented development programmes, efforts are also made for building up economic linkage like agricultural marketing and construction of rural roads. In promotion of marketing activities, the schemes for setting up of rural go downs, cold storages for

perishable farm products and AGMARK grading are important. The development of rural roads has been taken up as a part of MNP in the state sector. The outlay for this programme is provided in plans of respective state governments and union territories. Under the programme. 68.3 thousand Villages within the population bracket of 1.000 to 1,500 have been connected with all weather roads by the end of March 1999.14 However, a Centrally Sponsored Scheme for construction of roads in dacoit prone areas of Madhya Pradesh. Uttar Pradesh and Rajasthan is also being implemented. The share of the respective state government in this scheme is half of the central allocation.

Review of Literature

There were various studies which had been performed earlier on various banks in India like private banks, public sector banks, foreign banks, cooperative banks, Regional Rural banks and many more. These studies have been performed to analyze the performance of these banks on various parameters like reliability, responsiveness, service quality, deposits, lending, investments, agriculture financing and the list goes on. Since the establishment of Regional Rural banks in 1975, various academicians, researchers, policy makers have been attracted by their performance. Many studies have been conducted, to analyze the performance of Regional Rural Banks in India.

(Mishra, Aug 2021) The study titled “Assessment and Comparison of Service Quality of Regional Rural Banks and Co-operative Banks in catering to the need of Rural Mass in Western Odisha” was conducted to evaluate the measures of service quality of regional rural banks and cooperative banks; SERVQUAL model was developed to access the parameters of these banks in few areas of Odisha. Further this research concluded that there are a few areas where these banks have been

performing efficiently and the level of satisfaction of customers is better of regional rural banks in comparison made to cooperative bank.

(H. C. Purohit, 2020) in his research article entitled “Service Quality Measurement and Consumer Perception about the Services of Banking Institutions” stated that looking at the competition in the market, today banks cannot survive if they are adopting traditional service methods, they need to make changes in the category of services which are being offered by these banks. This paper even stated that the organization which have been focusing on different measures of service quality as per the perception of the customers were performing better as compared to the organizations which have been ignoring these parameters.

(Nalla Kalyan, 2017) In his research titled “Banking Reforms in India” stated that banking reforms have been a part of revolutionary change for the market conditions. And these banking reforms have been playing a major role in the macro level economic 53 reforms. This paper diverted the attention of the researchers by highlighting on various aspects which have been considered as a part of economic reforms and the major role which was being played is by the financial structure laid by different banks. Further this paper concluded that banking reforms in India are improving with every passing day.

(Hundekar, 2018) In her study entitled “Productivity in Banks”. The purpose of the study was to analyze the working of “Bijapur Gramin Bank in Karnataka State” particularly from the beginning till 2015. There were various factors which have been taken into consideration to evaluate the working of the bank in that particular area, like operational efficiency & working of the bank on the basis of profitability.

The productivity of Regional Rural Banks was measured with the help of certain parameters like the management of credit, expansion in number of branches.

(Anurag Gupta, 2017) This research paper entitled "Financial inclusion and human development: A state-wise analysis from India". "As the inclusiveness of a financial system depends on various criteria, an Index for Financial Inclusion (IFI) has been constructed using a multidimensional approach, using the data for three dimensions i.e., Penetration, availability and usage of banking services, IFI has been computed for various states and regions of India". The study resulted that there is a positive correlation between financial Inclusion and Human Development Index. It was declared through this research that there have been various measures implement to increase awareness among people regarding financial inclusion.

Chidambaram (2017) examined that RRBs in India made considerable progress in mobilizing deposits, profit making and credit dispensation during the period 2002- 03 to 2004-05". In his study he mentioned that as a result of amalgamation ofRegional Rural banks, they had come in a position that RRB's could provide better customer services with better policies. And their study further stressed upon the requirement for the change in the attitude of the bank managers of Regional Rural banks.

(Subudhi, 2014) A conference proceeding on "Making Regional Rural Banks Market Efficient: A study on Amalgamation effect" stated that now commercial banks are entering into rural areas where regional rural banks have been focusing on and they have taken various measures like the quality of services as their main parameter to limelight the growth of these banks in rural areas and as of now these banks have not only proved their existence in rural areas but have laid competition

for other commercial banks also. And in order to strengthen the functioning of these banks many initiatives have been taken by these banks and one of the measures is amalgamation of these banks. Furthermore, this study concluded that these banks have been continuously work in the efficiency and measures of service quality.

(Bhatt, K.A. 2013) made study entitled "Profitability Analysis of Regional Rural Banks in India: with Special Reference to Western Region". The study focused on western region of India i.e., Gujarat, Maharastra and Rajasthan. The study made an 57 attempt to study the profitability analysis of the RRBs from 2007-08 to 2011-12. The main objectives of the study were to analyze the interest coverage ratio, to analyze the return on Equity, to examine non-interest income ratio and to study net interest margin ratio of selected RRBs during study period. The finding of the study revealed that selected bank of Rajasthan showed higher profitability then selected RRBs of Gujarat and Maharashtra.

(Dwivedi, 2011) In his research article entitled "Efficiency of Indian Banking Industry in the Post-Reform Era" stated that DEA (data envelopment analysis) had been used to analyze the performance of the banking sector and his study concluded that after the post reform era of banking sector there was a drastic change in the banking industry stating that the banks had shown high efficiency over of period of time.

Objectives

The main objectives of the study are as follows.

(i) To assess the role of Regional Rural Banks in agriculture development.

(ii) To identify the problems of regional rural bank faces in launching schemes for agriculture financing.

(iii) To measure the impact of agriculture programmes of the RRBs on the capital assets value, employment and savings of the rural society and also its living standard.

(iv) To analyze the management of credit policies of banks in removing problems faced by beneficiaries in availing credit facilities.

(v) To suggest measures for improvement based on the findings of the study.

Hypothesis

1. There is positively signified that Amount of loans are used for the agriculture purpose for which those were sanctioned in the study area.
2. Banks provide the full agriculture credit facilities to beneficiaries as per then requirements in the sawaimadhopur district.
3. Agriculture Credit facilities from regional rural banks decrease the dependence of rural people on local financiers or landlords.
4. There is a significant relationship between agriculture credit provided by RRBs and development of agriculture sector in sawaimadhopur district.

Research Methodology

This study is exploratory in character and based on the survey. Both primary and secondary data are used. Sources of secondary data are publications of National Bank for Agriculture and Rural Development & Reserve Bank of India, Magazines. News Papers Books on Regional Rural Banks and the Annual Reports of the regional rural banks. Primary data are obtained directly from the beneficiaries, bank's staff and other persons involved in rural development. A

detail questionnaire designed and after testing, it was used to collect data through direct personal interviews in the field.

Method of Analysis: The methods of analysis followed in the study are descriptive as well as analytical. For analyzing the data and establishing the inter relationship among variables, mathematical tools like percentage, ratio, etc. and statistical tools like mean. T-test. combined mean. etc. have been used. For comparison, the 'post credit' period has been taken as the 'Control period.

Period of the study

Period of the study is from the year 2015 to 2020.

Chapter Plan

Chapter 1 : Introduction

Chapter 2 : Review of Literature

Chapter 3 : Research Methodology

Chapter 4 : Role of RRBs in Agriculture development

Chapter 5 : Data analysis and interpretation

Chapter 6 : Conclusion findings and suggestions

Limitations of the study

Regional Rural Banks have many beneficiaries in Sawaimadhopur district; evaluation of every beneficiary is not possible, due to time limitation and inadequacy of resources at the disposal of the researcher. Due to this reason, it is not possible to study all schemes, so only the most popular and common schemes have been taken for this study Beneficiaries have no record of information about

income, employment and other information, so all the information are based on memory of borrowers.

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